

RURAL TELECOMMUNICATIONS GROUP

the voice of rural wireless telecommunications providers

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October 29, 1997

The Honorable John McCain
Chairman, Senate Commerce, Science and
Transportation Committee
United States Senate
Russell Building, Room 241
1st and C Streets, N.E.
Washington, DC 20510

Re The FCC Report to Congress on Spectrum Auctions

Dear Mr. Chairman:

On behalf of the Rural Telecommunications Group (RTG), we are writing to express our strenuous disagreement with *The FCC Report to Congress on Spectrum Auctions* released by the Federal Communications Commission (FCC) on October 9, 1997. RTG is a group of over sixty concerned rural telecommunications companies who have joined together to promote the efforts of its member companies to speed the delivery of new, efficient and innovative telecommunications technologies to the populations of remote and underserved sections of the country. RTG specifically disputes the report's conclusion that the FCC has facilitated the delivery of new spectrum-based services to rural and underserved areas and has met its mandate to disseminate licenses to rural telephone companies.

In support of the Commission's conclusion that it has facilitated the provision of service to rural areas the FCC claims that rural telephone companies have won "about 44 percent of the 123 rural Basic Trading Area (BTA) licenses," as represented in a "Rural Telco Coverage" map. (Report at 25). Unfortunately, this characterization is extremely misleading, as the map depicts indisputably urban areas such as the Seattle-Tacoma BTA (population 2,708,949) and the San Antonio BTA (population 1,530,954) as "rural BTAs." The FCC coined the term "rural BTA" specifically for the report to Congress. Unfortunately, the FCC apparently made no effort to determine which BTAs are actually rural in character and instead arbitrarily picked the 123 BTAs (one quarter of all BTAs) with the lowest populations and slapped on the term "rural BTA." More importantly, the term "rural BTA" is an oxymoron since by definition, a BTA is composed of one or more population centers surrounded by less populated areas that may or may not be rural or underserved, but that are economically linked to the population center. Providing service to the urban population center within a BTA is not the same thing as providing service to rural or underserved areas within a BTA.

The map is also deceptive in that the FCC never explains what services are allegedly reflected by the illustrated coverage. Upon investigation, RTG learned that the map actually depicts areas where rural telephone companies won licenses for Broadband Personal Communications Services (PCS). Broadband PCS is only one of the nine services that the FCC has licensed by auction. As indicated in Appendix C-2 of the report, rural telephone companies have only won licenses in four of the fourteen spectrum auctions conducted thus far.

The report lacks any kind of quantitative study and provides no data showing what services have actually been, or are in the process of being deployed to rural areas, even those areas which the FCC arbitrarily depicted as "rural." Instead, the report and the Commission rely exclusively on geographic partitioning and spectrum disaggregation as the panacea for rural areas. Unfortunately, this reliance is completely unjustified since the Commission cannot force licensees to enter into partitioning arrangements, and as RTG has repeatedly warned the Commission, most licensees are simply not interested in negotiating and administering partitioning deals for small geographic areas. The Commission's own records reflect that to date there have only been 12 partitioning deals for auction licensed services. In light of the limited use of partitioning and of the lack of evidence of service to rural areas, the Commission cannot conclude that it has met its obligation to ensure the delivery of new spectrum-based services to rural and underserved areas.

With respect to the Commission's claim that it has "successfully met" the Congressional mandate of Section 309(j) of the Communications Act of 1934, as amended (the Act), to disseminate licenses to rural telephone companies, RTG notes that the nation's rural telephone companies fared only slightly better in acquiring spectrum licenses than businesses owned by minority women. Of the over 1,000 rural telephone companies in the country, only 49 (fewer than 5%) have won licenses for spectrum services. (Appendix C-2). This figure hardly indicates successful participation by rural telephone companies.

From the rural telephone company perspective, the report is misleading and disingenuous. It reflects the Commission's continuing hostility to Congress's directives, in this instance, Congress's directives in Section 309(j) of the Act that the FCC promote the participation of rural telephone companies in spectrum-based services and ensure the rapid deployment of advanced telecommunications services to rural America.

Rather than ensuring deployment to rural areas and encouraging rural telephone company participation, the Commission's policies allow licensees to hold rural areas hostage and render rural telephone company participation difficult. For your convenience, we have enclosed a copy of the Comments which RTG filed in response to the Commission's request for information to assist in the preparation of the report. (WT Docket No. 07-150). RTG's Comments explain RTG's position in greater detail.

Respectfully submitted,

/s/

Toney Prather
Co-Chairman,
Steering Committee

/s/

John E. Smith
Co-Chairman,
Steering Committee

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